

Message Text

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ACTION EUR-12

INFO OCT-01 IO-04 ISO-00 STR-01 CIAE-00 PM-03 INR-05 L-01

ACDA-05 NSAE-00 PA-01 RSC-01 PRS-01 SP-02 USIA-06

TRSE-00 SAJ-01 OIC-02 SAM-01 CIEP-01 AGR-05 OMB-01

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TAGS: PFOR EGEN CSCE

SUBJ: CSCE: TRADE ISSUES

REF: A) SECSTATE 226623 B) GENEVA 6578

1. SUB-COMMITTEE ON COMMERCIAL EXCHANGES HAS HAD INITIAL GENERAL EXCHANGE OF VIEWS ON NEW EC TEXT ON KEY TRADE POLICY ISSUES. ON EC SIDE TEXT WAS INTRODUCED AND DEFENDED BY KAWAN OF COMMISSION (FORMALLY MEMBER OF FRENCH DELEGATION) WHO HAS BEEN ONLY EC REPRESENTATIVE TO SPEAK. HIS APPROACH HAS BEEN TO SUGGEST THAT NEW TEXT TAKES INTO ACCOUNT DISCUSSION DURING NINE MONTHS SINCE PREVIOUS WESTERN TEXT (D/9) INTRODUCED AND THAT IT CAN PROVIDE BASIS FOR EARLY CONCLUSION OF CSCE BASKET II NEGOTIATIONS IF OTHERS DESIRE.

2. NEUTRALS (AUSTRIA, SWITZERLAND, FINLAND, SWEDEN) HAVE ALL ENDORSED NEW TEXT. FINLAND, HOWEVER, BELIEVES SOMETHING ON IMPORTANCE OF BILATERALISM SHOULD BE ADDED. SWEDEN MADE POINT THAT IT HAS NEVER LINKED MFN AND RECIPROCITY SINCE QRS IT MAINTAINS ARE SOLELY TO PREVENT MARKET DISRUPTION.

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3. WESTERN REACTION HAS BEEN COOL BUT MODERATE, AND THEY INDICATE THEY HAVE NOT YET HAD SUFFICIENT TIME TO ELABORATE FINAL POSITIONS ON ALL DETAILS. HUNGARY INDICATED NEW TEXT SHOWS "SOME SIGNS" OF GOOD WILL ALTHOUGH IT APPEARS BASIC POSITIONS OF AUTHORS REMAIN UNCHANGED. USSR DESCRIBED PROPOSAL AS "TIMID EFFORT" TO UNBLOCK NEGOTIATIONS BUT ASSERTED NEW TEXT CONTAINS IMPORTANT NEGATIVE ELEMENTS AND BASIC ATTITUDE OF AUTHORS APPEARS UNCHANGED. HUNGARY SAID OTHERS SHOULD NOT EXPECT EAST EUROPEANS TO CAPITULATE ON THEIR BASIC VIEWS IN TRADE POLICY FIELD, IMPLYING EC TEXT WOULD DO THIS. MANY EES MADE POINT TEXT LACKS REFERENCE TO IMPORTANCE OF BILATERAL AGREEMENTS. USSR AND CZECHOSLOVAKIA STATED PARA ON MFN MERELY PLATITUDINOUS RECOGNITION OF THE OBVIOUS, AND DOES NOT EXPRESS INTENTION ABOUT APPLICATION OF MFN. USSR SUGGESTED TEXT SHOULD HAVE DECLARATION OF INTENT ON MFN BUT RECOGNIZED THAT MFN WOULD IN FACT BE IMPLEMENTED THROUGH BILATERAL AND MULTILATERAL AGREEMENTS. USSR AND CZECHOSLOVAKIA ALSO ARGUED REFERENCE TO RECIPROCITY (IF THERE WERE TO BE ONE) SHOULD BE BALANCED BY REFERENCE TO PRINCIPLE OF EQUAL RIGHTS. USSR, WHILE EXPRESSING APPRECIATION FOR THE NEW DOCUMENT, NOTED THAT OTHER PROPOSALS ON SUBJECT FROM EASTERN COUNTRIES REMAINED ON TABLE AND WOULD ALSO HAVE TO BE CONSIDERED. ALSO IMPLIED NEW DRAFTS MAY BE EXPECTED.

4. DEVELOPING COUNTRY REPS (SPAIN, ROMANIA, MALTA, TURKEY) CRITICIZED RECIPROCITY PROVISION OF TEXT ARGUING THIS SHOULD NOT BE APPLICABLE TO DC/LDC TRADE. YUGOSLAVIA ALSO PRESSED FOR INCLUSION PROVISION ON BILATERALISM. ROMANIA SAID HAD PROBLEMS THROUGHOUT TEXT AND IN PARTICULAR SUGGESTED TEXT SHOULD ADDRESS QUESTION OF DISCRIMINATION MORE DIRECTLY.

5. US REP WELCOMED EC PROPOSAL AND CONSIDERED MANY SECTIONS DISTINCT IMPROVEMENT OVER D/9. STATED, HOWEVER, WE WOULD HAVE COMMENTS AND SUGGESTIONS ON SOME PARAGRAPHS. NOTED CLOSE INTERRELATIONSHIP BETWEEN VARIOUS PARAGRAPHS AND SAID THEY WOULD HAVE TO BE LOOKED AT AS A UNIT. CALLED ATTENTION TO IMPORTANCE WE ATTACH TO RECIPROCITY IN RELATION MFN AND SUGGESTED MIGHT BE BETTER TO MOVE THIS CONCEPT FROM FIRST TO SECOND PARA OR LIMITED OFFICIAL USE

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TO STRENGTHEN LINK BETWEEN THOSE TWO PARAGRAPHS. ALSO SUGGESTED MIGHT BE DESIRABLE TO MAKE FORMULATION OF RECIPROCITY LESS MATHEMATICAL. EC RESPONDED THAT THEY CONSIDER THEIR FORMULATION TO BE SUBJECTIVE, NOT MATHEMATICAL, AND THEY DO NOT CONSIDER WORD EQUIVALENCE HAS LATTER CONNOTATION IN FRENCH. IN RESPONSE TO EASTERN CRITICISM, STRONGLY DEFENDED CONCEPT OF RECIPROCITY AND ARGUED THAT ITS PLACEMENT IN PARA ONE OF THEIR TEXT MADE IT APPLICABLE TO ALL THAT

FOLLOWED.

6. CANADA STATED IT CONSIDERED EC TEXT GENERALLY ACCEPTABLE. NORWAY ALSO SAID IT COULD ACCEPT ALTHOUGH NOT ENTIRELY CONTENT RE ALL FORMULATIONS. ALSO EMPHASIZED IMPORTANCE OF RECIPROCITY IN EAST/WEST RELATIONS, POINTING OUT THAT EASTERN COUNTRIES HAVE IMPORTANT MEANS OTHER THAN TARIFFS OF CONTROLLING TRADE AND SIMPLE EXCHANGE OF MFN TREATMENT WOULD BE EQUIVALENT TO A GIFT WHICH NOT CALLED FOR IN EAST/WEST TRADE CONTEXT. SOVIETS RESPONDED THEY NOT LOOKING FOR GIFTS, BUT ONLY NORMAL TREATMENT.

7. SINCE TRANSMISSION REFTEL (B), SECRETARIAT HAS CIRCULATED REVISED DOCUMENT WITH IMPROVED ENGLISH TRANSLATION OF EC PROPOSAL. OTHER IMPROVEMENTS IN TRANSLATION HAVE BEEN MADE INFORMALLY IN MEETING. TEXT CURRENTLY BEING CONSIDERED DIFFERS FROM REFTEL TEXT IN FOLLOWING SIGNIFICANT ASPECTS: (A) IN PARA ONE "ASSURING EQUIVALENCE" REPLACES "INSURING EQUALITY"; B) IN PARAGRAPH 4 "PROGRESSIVELY" HAS BEEN RELOCATED BEFORE "ELIMINATING"; C) IN PARAGRAPH 6 "PROVISIONS" REPLACES "ARRANGEMENTS"; D) PARAGRAPH 5 NOW READS AS FOLLOWS: "WILL ENDEAVOUR TO ENSURE THAT THEIR TRADE IN THE VARIOUS PRODUCTS IS CONDUCTED IN SUCH QUANTITIES AND SUCH CONDITIONS AS NOT TO CAUSE OR THREATEN TO CAUSE SERIOUS INJURY TO THE DOMESTIC MARKET FOR THESE PRODUCTS, AND NOTABLY TO PRODUCERS OF SIMILAR OR DIRECTLY COMPETITIVE PRODUCTS; IF THEY TAKE SAFEGUARDING MEASURES, THEY WILL BEAR IN MIND THE INTERESTS OF THE PARTIES INVOLVED AND WILL BE PREPARED TO TAKE PART IN APPROPRIATE CONSULTATIONS".

8. IT NOT CLEAR HOW DEBATE WILL NOW PROCEED, ALTHOUGH IT WOULD APPEAR LIKELY SUB-COMMITTEE WILL DISCUSS TEXT ON PARA BY PARA BASIS, PROBABLY WITH EAST MAKING COUNTERPROPOSALS ALONG THE WAY. ABRAMS

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